

Dranesville Budget Task Force FY 2015 – 1st Report
January 31, 2014

The Dranesville Budget Task Force (DBTF) is now in its sixth year. Previous reports have been concerned primarily with expenditures. However, the economic situation in Fairfax County, while improving, is still suffering from the effects of federal sequestration and budget uncertainty, high vacancy rates in commercial real estate, pressures from increasing school enrollment, high demands for social services, and deferred infrastructure expenditures. Thus, we believe the County should place more emphasis on revenue. This is the first of two planned reports and concentrates on revenues and cost avoidance. The second report, to be submitted in mid-March, will discuss expenditures and the FCPS and County Executive's advertised budgets, among other topics.

The main thrust of this report is that the County should diversify its revenue. The County relies too heavily for its revenue on residential property taxes. The ideas listed here illustrate many alternatives, new and old, which could bring in (or save) hundreds of millions of dollars a year. Some ideas can be implemented in the current fiscal year (FY2014), some in FY 2015, and perhaps some will take longer, but initial steps should begin now. Overall, we commend the BOS for the excellent job they have done in keeping Fairfax County one of the best in the nation, notwithstanding the severe fiscal constraints.

Taxes and Fees

1. Meals Tax. The County should start the process of implementing a meals tax of up to 4%. We strongly believe that now is the time to take action. The last attempt, in 1992, was a generation ago. The Fairfax County Department of Management and Budget estimates that a 4% meals tax would have raised \$88 million in FY 2014, of which \$23 million would have been paid by non-Fairfax County residents. To win approval, the County should consider earmarking the revenue for one or more dedicated purposes and argue that with a meals tax, property tax revenues could be held constant or reduced. We recommend that the County use both available methods for getting approval of the meals tax: have the Virginia Legislature grant an exemption from a referendum (they are in session now) and, if that fails, hold a referendum in November 2014 or as soon thereafter as possible.
2. Property Tax. The County should review its assessment policies and procedures to ensure that residential and commercial properties are not being under-assessed.
3. Other Taxes. The County should review other taxes (admissions, probate, personal property, BPOL, etc.) to lessen the dependency on residential property taxes.
4. Tax Base. The County should review its incentives to encourage more businesses to relocate to the County and more businesses to stay here and thrive, as long as such incentives do not have a negative impact on revenues.
5. Fees. Fees to use recreation centers, parks, SACC, and similar activities should be increased annually, based upon capturing direct and indirect costs, and making a profit where appropriate. In addition, services now provided free should be reviewed for fee possibilities.

Maximizing Productive Use of Existing County and FCPS Assets

1. Investment Yields. The rate of return on County investments is too low. A County audit reported that investments in 2012 yielded 0.55%, compared to 1.01% and 1.13% in two neighboring jurisdictions. With about \$3.3 billion in investments, a 0.5% increase in yield (to match our neighbors) would increase revenues by roughly \$16 million. The Task Force supports the audit recommendations and suggests that the County review and consider requesting that state investment requirements be updated, so jurisdictions are less likely to earn investment returns that are lower than inflation rates.
2. School Aged Child Care (SACC) Rooms. SACC uses more than 250 rooms and generally does not allow FCPS to use those rooms as classrooms. We recommend that SACC rooms be made available for use as school classrooms, which would reduce the need for FCPS trailers and new construction.
3. Vehicles. The County and FCPS should explore whether they could generate a profit (taking all costs into account) by renting their vehicles, when not used, to transport people in assisted living, hospitals, business commuters, etc.
4. Facilities. Opportunities should be explored for increasing the rental of County and FCPS facilities, charging full costs plus profit.
5. Dormant Proffers. To access and use dormant proffers from projects that have been completed or will never be completed, the County should take legal action and/or contract out this task.
6. Office and Warehouse Space. A County auditor found that about 16% of the offices in the Government Center were unused, even though the County spends about \$16 million/year to lease about 700,000 square feet of space. The County and FCPS should extend this analysis and move people from leased to public space, where possible. The same idea can be applied to merging/reducing warehouse and other facility space.
7. Pensions. To the extent feasible, the County and FCPS should increase new employee contributions to pensions and implement anti-spiking rules that would impose a cap on pension benefit payments based on lifetime employer plus employee contributions to the pension plan
8. Computers. The County and FCPS could reduce information technology costs, including computer replacement costs, by using software that integrates all types of computer models and extends computer life many years.

Private/Public Partnerships

1. Non-Profit Organizations. Non-profit organizations can provide many services at lower cost than business. The County should expand their efforts to increase support from non-profits and , in return, find more ways to support non-profits.
2. Private Donations. The County and FCPS should increase their efforts to obtain private donations, including through naming rights for programs and facilities. Additional publicity might be helpful; most Task Force members had not heard of the Foundation for the Fairfax County Public Schools. A review should be made of existing County and School foundations to determine whether they sufficiently cover all needs and, if not, we suggest expanding existing foundations and/or creating new foundations.

3. Volunteers. The County and FCPS should increase their efforts to recruit and place volunteers and expand the use of internships.

4. Proffers. The County should maximize proffers.

Mandates

The County and FCPS often exceed state and federal mandates. Mandate over-compliance should be reviewed to find potential cost avoidance.

FCPS Specific Proposals

1. Non-Resident Students. Students who don't live in Fairfax County are attending our schools. Even if only 1% of the FCPS's 185,000 students do not live within Fairfax County, at a cost of \$13,500 per student, that amounts to about \$25 million. In addition to the potential increase in revenue and/or cost avoidance in trailer use and new construction, there would be some tangential savings in County costs, such as human services and transportation. Perhaps, this is a task that could be contracted out on a commission basis. Additionally, FCPS does not include a facilities cost component in assessing tuition costs, except for TJHS. All students living outside the County should be charged an amount that fully reflects the total costs, including facilities costs, that FCPS incurs to educate them.

2. Auditor/Inspector General for the School Board. We strongly recommend that the FCPS School Board hire one or more auditors and/or an Inspector General, who serve at the pleasure of and report directly to the School Board. This should pay for itself many times over.

We thank you for this opportunity and privilege to serve on your Dranesville District Task Force.

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